

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2010-2-E

March 24, 2010

IN RE:)	
)	
South Carolina Electric & Gas Company -)	SETTLEMENT AGREEMENT
Annual Review of Base Rates for)	
Fuel Costs)	
_____)	

This Settlement Agreement is made by and among the South Carolina Office of Regulatory Staff (“ORS”), South Carolina Energy Users Committee (“SCEUC”), and South Carolina Electric & Gas Company (“SCE&G”) (collectively referred to as the “Parties” or sometimes individually as a “Party”).

WHEREAS, the above-captioned proceeding has been established by the Public Service Commission of South Carolina (“Commission”) pursuant to the procedure established in S.C. Code Ann. §58-27-865 (Supp. 2009), and the Parties to this Settlement Agreement are parties of record in the above-captioned docket. There are no other parties of record in the above-captioned proceeding;

WHEREAS, SCEUC, and CMC Steel South Carolina f/k/a SMI Steel South Carolina (“CMC”) made timely requests to intervene;

WHEREAS, ORS is automatically a party in all dockets opened by the Commission;

WHEREAS, the Parties to this Settlement Agreement are parties of record in the above-captioned docket. The remaining parties of record in the above-captioned proceeding are not parties to this Settlement Agreement;

WHEREAS, the Parties have varying legal positions regarding the issues in this case;

WHEREAS, the Parties have engaged in discussions to determine if a settlement would be in their best interest;

WHEREAS, following these discussions the Parties have each determined that their interest and the public interest would be best served by settling matters in the above-captioned case under the terms and conditions set forth below:

1. ORS's review of SCE&G's operation of its generating facilities resulted in ORS concluding that SCE&G has made reasonable efforts to maximize unit availability. Additionally, ORS has determined that SCE&G took appropriate corrective action with respect to any outages that occurred during the review period.

2. The Parties agree to stipulate into the record before the Commission the direct testimony and exhibits of the following witnesses without objection, change, amendment or cross-examination with the exception of changes comparable to that which would be presented via an errata sheet or through a witness noting a correction.

a. SCE&G witnesses:

- i. George A. Lippard, III
- ii. Joseph K. Todd
- iii. J. Darrin Kahl
- iv. Michael Shinn
- v. Julius A. Wright, Ph.D
- vi. Tami S. Haselden
- vii. Allen W. Rooks

b. ORS witnesses:

- i. Robert A. Lawyer
- ii. Michael L. Seaman-Huynh

3. The Parties agree to accept all adjustments and recommendations as put forth by ORS in the testimony of ORS witnesses Robert A. Lawyer and Michael L. Seaman-Huynh,

except that the \$476,128 adjustment set forth in ORS Witness Lawyer's direct testimony will be booked as a credit to the fuel expense account which equates to \$439,659 on a retail basis.

4. SCE&G's net cumulative under-recovered balance of total fuel costs for the period ending April 30, 2010 is projected to be \$56,535,408. The net cumulative under-recovered balance of \$56,535,408 consists of cumulative under-recovered base fuel costs of \$68,480,892 and cumulative over-recovered environmental costs of \$11,945,484.

5. SCE&G agrees, with the consent of the Parties, to defer recovery of its actual under-collected base fuel costs as of April 30, 2010 for the period of May 1, 2010 through April 30, 2011.

6. In partial consideration of SCE&G's agreement to defer the recovery of its under-collected base fuel costs, the Parties agree that SCE&G shall be allowed to charge and recover carrying costs monthly on the actual base fuel costs under-collected balance as of the end of each month during the period of May 1, 2010 through April 30, 2011. The applicable interest rate used to calculate the carrying costs under this Settlement Agreement is the rate of interest as of the first day of each month during the applicable period for 3-year U.S. Government Treasury Notes, as reported by the *Wall Street Journal*, either in its print edition or on its website, plus an all-in spread of 65 basis points (0.65 percentage points). The applicable period during which carrying costs may be applied pursuant to this Settlement Agreement begins May 1, 2010 and ends April 30, 2012 or when the under-recovery is eliminated, whichever is earlier. The total carrying cost rate to include the 65 basis points shall not exceed 6%.

7. The deferral of the under-recovery and its applicable carrying costs shall operate as follows:

- a. For the period May 1, 2010 through April 30, 2011, SCE&G shall recover, in addition to its forecasted fuel costs, its carrying costs on the actual under-

recovered balance as of the end of each month during the period, with such carrying costs being booked and recovered monthly from fuel clause revenues.

- b. Beginning with the first billing cycle of May 2011, SCE&G shall begin recovering the under-recovered balance of fuel costs as of April 30, 2011, plus associated interest at the rate set forth in Paragraph 6 above. This amount is to be recovered by SCE&G in equal monthly installments of 1/12th per month, plus interest on the uncollected balance until such balance is collected.

8. The Parties agree and recommend that the first dollars recovered in the succeeding twelve months beginning May 1, 2010 shall be applied to the under-recovery so that in the next fuel proceeding for SCE&G any under-recovery will be for the period May 1, 2010 through April 30, 2011.

9. The appropriate fuel factors for SCE&G to charge pursuant to this Settlement Agreement for the period beginning with the first billing cycle in May 2010 extending through the last billing cycle for April 2011 are listed below and set forth in the tariff sheet entitled "Adjustment for Fuel and Variable Environmental Costs", which is attached hereto as Exhibit A.

Class	Base Fuel Cost Component (cents/KWH)	Environmental Fuel Cost Component (cents/KWH)	Total Fuel Costs Factor (cents/KWH)
Residential	3.610	(0.004)	3.606
Small General Service	3.610	0.002	3.612
Medium General Service	3.610	0.001	3.611
Large General Service	3.610	0.003	3.613
Lighting	3.610	-	3.610

10. The Parties agree the fuel factors set forth above are consistent with S.C. Code Ann. §58-27-865 (Supp. 2009). Except as described in this paragraph, the Parties further agree that any and all challenges to SCE&G's historical fuel costs recovery for the period ending December 31, 2009, are not subject to further review; however, the projected fuel costs for

periods beginning January 1, 2010, and thereafter shall be open issues in future fuel costs proceedings held under the procedure and criteria established in S.C. Code Ann. §58-27-865 (Supp. 2009). The Parties acknowledge that V.C. Summer was subject to an outage extension that occurred in 2009 as a result of an electrical fire. Because the Nuclear Regulatory Commission Staff ("NRC Staff") has not issued its final report on the electrical fire, ORS reserves the right to review this matter further following the issuance of, and based upon, the NRC Staff final report.

11. Included in the above base fuel cost is approximately \$17,388,364 in credits to retail electric customer classes from an Economic Impact Zone Investment Tax Credit ("EIZ Tax Credit"). Discussion of the EIZ Tax Credit is set forth in the testimony of SCE&G witness Tami S. Haselden.

12. SCE&G agrees to apply any money received from litigation, arbitration, or negotiated settlements with coal suppliers, where the dispute is for non-deliveries, defaults or other similar non-performance issues or for other matters related to or associated with S.C. Code §58-27-865, to reduce the fuel costs account. SCE&G also agrees to provide to the parties quarterly reports showing the Company's efforts to seek compensation for non-deliveries, defaults or other similar non-performance.

13. SCE&G agrees to provide to ORS, and SCEUC the following:

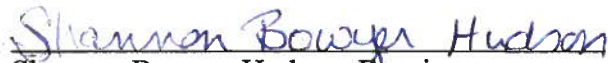
- a. Copies of the monthly fuel recovery reports currently filed with the Commission and ORS; and,
- b. Quarterly forecasts beginning with the quarter ending June 30, 2010 of the expected fuel factor to be set at SCE&G's next annual fuel proceeding and SCE&G's historical over/under-recovery to date. SCE&G agrees it will put forth its best efforts to forecast the expected fuel factor to be set at its next annual

any of the matters agreed to in it be used as evidence or precedent in any future proceeding. If the Commission should decline to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty.

18. This Settlement Agreement shall be interpreted according to South Carolina law. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

WE AGREE:

Representing and binding the South Carolina Office of Regulatory Staff



Shannon Bowyer Hudson, Esquire

Courtney D. Edwards, Esquire

South Carolina Office of Regulatory Staff

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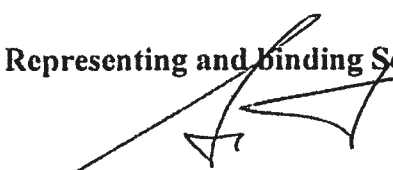
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WE AGREE:

Representing and binding South Carolina Energy Users Committee



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WE AGREE:

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SOUTH CAROLINA ELECTRIC & GAS COMPANY

ELECTRICITY

ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS

RETAIL RATES

(Page 1 of 2)

APPLICABILITY

This adjustment is applicable to and is part of the Utility's South Carolina retail electric rate schedules.

The fuel and variable environmental costs, to be recovered in an amount rounded to the nearest one-thousandth of a cent per kilowatt-hour, will be determined by the following formulas:

$$F_C = \frac{E_F}{S} + \frac{G_F}{S_1}$$

$$F_{EC} = \frac{E_{EC} + G_{EC}}{S_2}$$

$$\text{Total Fuel Rate} = F_C + F_{EC}$$

Where:

F_C = Fuel cost per kilowatt-hour included in base rate, rounded to the nearest one-thousandth of a cent.

E_F = Total projected system fuel costs:

- (A) Fuel consumed in the Utility's own plants and the Utility's share of fuel consumed in jointly owned or leased plants. The cost of fossil fuel shall include no items other than those listed in Account 151 of the Commission's Uniform System of Accounts for Public Utilities and Licensees. The cost of nuclear fuel shall be that as shown in Account 518 excluding rental payments on leased nuclear fuel and except that, if Account 518 also contains any expense for fossil fuel which has already been included in the cost of fossil fuel, it shall be deducted from this account.

PLUS

- (B) Fuel costs related to purchased power such as those incurred in unit power and limited term power purchases where the fossil fuel costs associated with energy purchased are identifiable and are identified in the billing statement. Also, the cost of "firm generation capacity purchases," which are defined as purchases made to cure a capacity deficiency or to maintain adequate reserve levels. Costs of "firm generation capacity purchases" includes the total delivered costs of firm generation capacity purchased and excludes generation capacity reservation charges, generation capacity option charges and any other capacity charges.

PLUS

- (C) Fuel costs related to purchased power (including transmission charges), such as short term, economy and other such purchases, where the energy is purchased on an economic dispatch basis, including the total delivered cost of economy purchases of electric power defined as purchases made to displace higher cost generation at a cost which is less than the purchasing Utility's avoided variable costs for the generation of an equivalent quantity of electric power.

Energy receipts that do not involve money payments such as diversity energy and payback of storage energy are not defined as purchased or interchange power relative to this fuel calculation.

MINUS

- (D) The cost of fuel recovered through intersystem sales including the fuel costs related to economy energy sales and other energy sold on an economic dispatch basis.

Energy deliveries that do not involve billing transactions such as diversity energy and payback of storage energy are not defined as sales relative to this fuel calculation.

S = Projected system kilowatt-hour sales excluding any intersystem sales.

G_F = Cumulative difference between jurisdictional fuel revenues billed and fuel expenses at the end of the month preceding the projected period utilized in E_F and S .

S_1 = Projected jurisdictional kilowatt-hour sales, for the period covered by the fuel costs included in E_F .

F_{EC} = Customer class variable environmental costs per kilowatt-hour included in base rates, rounded to the nearest one-thousandth of a cent.

SOUTH CAROLINA ELECTRIC & GAS COMPANY

ELECTRICITY

ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS

RETAIL RATES

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E_{EC} = The projected variable environmental costs including: a) the cost of ammonia, lime, limestone, urea, dibasic acid, and catalysts consumed in reducing or treating emissions, plus b) the cost of emission allowances, as used, including allowances for SO₂, NO_x, mercury and particulates minus net proceeds of sales of emission allowances, and c) as approved by the Commission, all other variable environmental costs incurred in relation to the consumption of fuel and air emissions caused thereby, including but not limited to environmental reagents, other environmental allowances, and emission related taxes. Any environmental related costs recovered through intersystem sales would be subtracted from the totals produced by subparts a), b), and c).

These environmental costs will be allocated to retail customer classes based upon the customer class firm peak demand allocation from the prior year.

G_{EC} = Cumulative difference between jurisdictional customer class environmental fuel revenues billed and jurisdictional customer class environmental costs at the end of the month preceding the projected period utilized in E_{EC} and S₂.

S₂ = The projected jurisdictional customer class kilowatt-hour sales.

The appropriate revenue-related tax factor is to be included in these calculations.

FUEL RATES BY CLASS

The total fuel costs in cents per kilowatt-hour by customer class as determined by the Public Service Commission of South Carolina in Order No. ____-____ are as follows for the period May, 2010 through April, 2011:

<u>Customer Class</u>	<u>F_C Rate</u>	+	<u>F_{EC} Rate</u>	=	<u>Total Fuel Rate</u>
Residential	3.610		(0.004)		3.606
Small General Service	3.610		0.002		3.612
Medium General Service	3.610		0.001		3.611
Large General Service	3.610		0.003		3.613
Lighting	3.610		0.000		3.610